



Funding the Library

IC 36-12-3-9 through 3-18

It takes a lot of cash to operate even the smallest library. Just as board members are responsible to determine the programs and services the library will offer, they are also responsible to make sure the programs and services of the library are funded adequately.

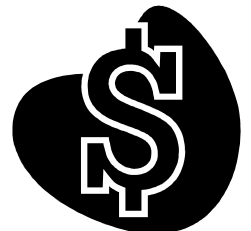
To understand the budgeting process and approve an annual budget for the library, board members must have an understanding of where the money comes from and how much revenue they can expect to build into the budget each year. A good understanding of revenue sources is also important because board members must be able to encourage continued funding from those sources and find new sources when needed.

Public libraries in Indiana are funded mainly by a combination of local taxes, state taxes and library generated revenues. Other sources generate some small amounts of funding for public libraries.

Nearly all public libraries in Indiana are independent municipal corporations which have the authority to levy and collect taxes on property. Public library tax rates are expressed as a ratio of cents per hundred dollars of taxable property in the library district. If the public library tax rate is 28 cents per \$100 of assessed valuation and the total assessed valuation of all taxable property in the district is \$100 million, the levy would produce \$280,000 for the library.

Beginning 1973, all Indiana public libraries have operated under the state property tax control program known as "the freeze." The freeze tied increases in local tax levies to the growth of the local assessed valuation of property. The general effect of the freeze was to allow property tax levies for libraries to grow no more than 5% per year, the State Board of Tax Commissioners, now the Department of Local Government Finance.

IC 36-12-3-12
Property tax



Beginning July 2000, with the approval of market value assessment, the controls set on how libraries received tax revenues changed. Department of Local Government Finance (DLGF) was required to base the percentage increase for operating property tax levies on a statewide average of non-farm income over a six year period. All growth over 6% had to be approved by DLGF through an appeal process.



In 2004, the general assembly passed legislation that put more controls on library's operating property tax levy, if the ensuing operating adopted levy is more than a 5% increase over the current certified operating property tax levy. The Library Board must submit the library's proposed budget to the city or town fiscal body, if the library originated as a city or town library, or to the county fiscal body, if the library originated any other way, if the operating property tax levy is greater than 5% over the current operating property tax levy. This must be done at least 14 days prior to the city, town, or county fiscal body's set time to hold budget approval hearings (the library should check with the city, town, or county fiscal body to get their date to hear proposed budgets, so as to determine the exact date for submitting the library's proposed budget for review.) **The operating budget must be adopted at least 15 days prior to the city, town, or county fiscal body's date to review the budget.**

If the library board decides to stay below the 5% operating property tax levy increase, the local public library board adopts a budget, levy and rate in August/September. The Department of Local Government Finance (the final authority) approves the budgets, levies and tax rates for the year beginning the following January. This approval is usually given sometime between October and December. By law the DLGF has until February 15 of the new budget year to certify the library's budget(s). For most public library districts, a justified budget within the limits of the law and approved by the public library board will be ratified by the Department of Local Government Finance

IC 6-1.1-18.5-13
Levy Excess
Appeals

As a result of the property tax freeze and the establishment of maximum levies, the only way to increase funding beyond the maximum statutory levies placed on libraries is to file an excessive levy appeal with the Department of Local Government Finance. The deadline to file for an appeal is September 19. The statute allows for the following appeals for libraries:

1. **Annexation:** Permission to permanently increase the library's levy in excess of prescribed limitations established if in the judgment of the Department of Local Government Finance such increase is reasonably necessary due to increased costs of the library resulting from annexation,

consolidation or other extensions of governmental service by the library to additional geographic areas or persons. (This includes taking an untaxed area into your library district.)

2. Three-Year Growth: Permission to permanently increase the library's levy in excess of prescribed limitations if the library unit's three-year average growth factor exceeds one and one tenth (1.1).
3. Math Error: Permission to the library to increase its levy in excess of prescribed limitations if in the judgment of the Department of Local Government Finance an advertising error, mathematical error, or error in data made at the local level (by the library) had a considerable financial impact in the determination of the civil taxing unit's levy limitations, rate, or levy. The increase to the maximum levy could be permanent or temporary depending on the type of error.
4. Shortfall: Permission to the library to temporarily increase its levy in excess of prescribed limitations if the library suffers a property tax shortfall due to an erroneous assessed value or because of payment of refunds that resulted from appeals.

Twenty percent of the property tax levies for public libraries comes from state tax funds. This is a part of the state property tax control program by which the state pays 20% of the property tax bill of every taxpayer. The library receives the same payment just as if it had been collected as property taxes.

IC 36-12-3-11(a)(1)
Property Tax
Replacement
Credit

Public libraries receive a share of the proceeds of two other taxes--the license excise tax, commercial vehicle excise tax, and the financial institutions tax. These taxes are collected by the state and redistributed to local units. The amount varies from one library district to another according to the number and value of motor vehicles, bank deposits and other characteristics of the district.

IC 36-12-3-11(a)
Miscellaneous
Taxes

***IC 6-3.5-1.1
County
Adjusted
Gross Income
Tax (CAGIT)***

The state allows counties to adopt an optional income tax. Public libraries in the counties where CAGIT has been adopted receive a share of the proceeds as a replacement for a portion of the property tax revenue. However, this does not result in an increase in financial resources for the library.

***IC 6-3.5-6
County Option
Income Tax
(COIT)***

A county option income tax may be adopted by the county only if it does not have CAGIT or if it rescinds CAGIT. No county can have both taxes. A portion may be reserved for property tax relief.

***IC 4-30-17-3.5-(a)(1)
State funds for
public libraries***

Three forms of direct and indirect state aid to public libraries, in addition to the property tax replacement credit, exist in Indiana--state distribution to eligible libraries, assistance to INCOLSA, and Internet access through the state backbone.

***20 USC 9101
Subtitles A & B
Federal funds
for public***

Grants under the Library Services and Technology Act (LSTA) are the major source of federal dollars in Indiana public libraries. The Indiana State Library acts as the administrator for the Institute of Museums and Library Services in the approval and distribution of these funds.

Federal funds also assist libraries serving as subregional libraries of the National Library Service for the Blind and Physically Handicapped, universities as Resource Centers, and other grant projects. Other federal funds are received in the form of specific project grants under the Indiana Humanities Council and other agencies.

***IC 36-12-3-11(a)(5)
Miscellaneous
Revenue***

Every public library generates some of its own support through fines, fees, interest on cash and other activities. In some public libraries, these sources account for as much as 10 percent of the total operating budget. In some libraries, endowment funds are also used.

Under Indiana law, a library patron may purchase a statewide library card for a fee based on 40 percent of the current average operating fund expenditure per borrower by all eligible public libraries as reported by the Indiana State Library. All eligible public libraries in Indiana receive payment from the monies collected from the sale of the cards in the previous year based on the net loans made by each library to the patrons using the card.

**IC 36-12-3-2
IC 4-23-7.1-5.1
590 (3) IAC
Public Library
Access Card
(PLAC)**

What happens when the tax dollars and other current revenues do not cover the costs of programs and services you want your library to offer? Libraries across the country are turning to charitable fund raising through fund raising events or planned giving programs.

**IC 36-12-3-11(a)
(5)
Charitable**

Many public libraries are fortunate to have Friends of the Library groups to assist with fund raising activities, but board members are always the front-line advocates for the library. That includes advocacy for financial contributions to the library.

A public library may levy property taxes to fund capital projects which include:

**IC 36-12-12
Library Capital
Projects Fund**

- 1) a facility used by or to be used by the library district.
 - a) planned construction, repair, replacement or remodeling
 - b) site acquisition
 - c) site development
 - d) repair, replacement, site acquisition necessitated by emergency
- 2) purchase, lease, or repair of equipment used by the library district
- 3) purchase, lease repair or upgrading of computer hardware/software, or salary of computer specialist

To levy property taxes under the LCPF a public library must adopt a LCPF plan in the year before the property taxes are levied. The plan must then go through a public hearing held by the library board, a review by an appropriate fiscal body and approval of the Department of Local Government Finance. The calendar that must be followed for LCPF can be obtained from the Department of Local Government Finance.

IC 36-12-3-9
Bond Issues

General Obligation Bonds are the most traditional form of debt issued by libraries. The board may, by resolution, issue bonds for one or more of the following purposes:

- a) the acquisition or improvement of library sites;
- b) the acquisition, construction, extension, improvement or alteration of structures and equipment necessary for the proper operation of a library;
- c) to refund outstanding bonds and matured interest coupons, and issue and sell refunding bonds for that purpose. (IC 20-14-3-7)

The total bonds outstanding at any one time shall not exceed two percent (2%) of the value of property taxable for library purposes and all shall be payable within a period not to exceed twenty years from the date of issuance. Refer to the Accounting and Uniform Compliance Guidelines Manual for Libraries for procedures to follow.

IC 36-1-10
IC 36-12-10
Lease
Finance

Lease Financing/Rental is used when the cost of a building project and financing will put the library over its debt limitations (2%). A not-for-profit leasing corporation is formed and acts as a conduit for the library. The leasing corporation issues first mortgage bonds to finance the cost of construction, leases the library facility to the library, and is responsible for the lease rental payments which match the debt service payment on the bond which cannot exceed twenty years. (IC 36-1-10 & IC 36-12-10)

